

FUNDING OPTIONS

This chapter describes potential financing sources for Plan improvements.

This implementation plan allows for flexibility in funding Plan improvements. In the past, the City of Eugene has demonstrated fiscal responsibility. The City has taken advantage of opportunities to acquire additional parks, build high-quality facilities, and improve recreation services. The City has also been effective at identifying and successfully pursuing a variety of financial resources to assist in funding projects. For example, two local option levies funded recreation activities and programs for youth, and a 1998 Parks and Open Space bond provided funding for a number of park projects, including the renovation of Amazon Pool, upgrades at 19 athletic fields, the development of three sports parks, and the acquisition of twelve neighborhood park sites. In many cases, bond dollars were used to leverage additional resources from granting agencies. Other projects that utilized a variety of other funding sources include the West Eugene Wetlands and maintenance of landscaped medians.

It is recommended the City continue to pursue diverse funding sources to implement identified priority improvements. This means investigating all available funding options, maintaining and expanding general fund support, aggressively seeking grants, partnerships and donations, and being prepared to act on opportunities when they arise. The Comprehensive Plan is an important step in this effort.



A. Financing Sources

There are a number of possible financing sources for programs; non-capital projects; and parks and facilities acquisition, development, and maintenance. Most sources are limited in scope and can only be used to fund specific types of projects or improvements. Advantages and limitations for the financing sources listed below are summarized in Table 1 on page 66.

Capital Projects and Operations

The following financing sources may be used for capital improvement projects as well as for ongoing operations and maintenance costs.

- *General Fund:* Park and recreation services are funded within the City's General Fund, which receives its revenue primarily from property taxes, but also includes grants, fees and charges. The General Fund is the primary source of funding for ongoing parks maintenance.

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- *Road Fund:* Revenue from the state gasoline tax and contributions from Lane County, based on the County/City Road Partnership Agreement, have supported a City Road Fund. Part of this fund is used to maintain, upgrade, or build bike lanes, bike paths, and beautification areas (such as medians, street islands, entryways, etc.). The Street Tree and Street Median Maintenance Program within the POS Division has been funded by the Road Fund.
- *Stormwater/Wastewater Fees:* These user fees and impact fees for new development provide some support for projects that have goals compatible with these dedicated funds. For example, the City uses the Storm Water Utility Fund for operations and capital projects related to the management and maintenance of the West Eugene Wetlands.
- *Wetlands Mitigation Bank Funds:* Established in FY 1998, the Wetlands Mitigation Bank is a financially self-supporting program to restore, construct, and maintain wetlands to replace those wetlands permitted to be impacted by development. The City of Eugene, under an interagency agreement with the Bureau of Land Management, the Army Corps of Engineers, and the Oregon Division of State Lands, manages the program. As part of the development process, private developers have the option to purchase replacement wetlands through the bank. Revenue comes from the sale of “mitigation credits” to developers.
- *Local Option Levy:* This is a property tax assessment that can be used for the construction, operation, and/or maintenance of parks and facilities, and for recreation programming. This type of levy is established for a given rate or amount for up to five years, or, in the case of capital only, up to ten years. Passage requires a double majority (a majority of registered voters must vote and a majority of those voting must approve the measure), unless during a general election in even-numbered years, in which case a simple majority is required. Local option levies have become more difficult to pass in Oregon because of the double-majority requirement. In the future, the use of a local option levy may be difficult due to a \$10/\$1,000 of real market value tax rate limitation for all taxing agencies in the area except schools.

Recently, the City has used two local option levies to help fund recreation services. Measure 20-37 was a two-year levy providing the City with approximately \$714,000 per year for neighborhood-based youth activities during non-school hours. The levy expired at the end of December 2003.



Measure 20-67 is a four-year local option levy passed in November 2002. The City receives about \$500,000 per year to fund youth services such as Summer Fun for All activities. An additional portion of this levy is divided between the Bethel and 4J School Districts to use for recreation activities as well as other student and school activities.

Potential revenue from a local option levy may be reduced due to the \$10/\$1,000 of real market value property tax rate limitations for general government taxes. If the \$10 limitation is exceeded for any individual property, all general government taxing authorities receive only a prorated share of their tax levy, so that the total general government taxes remain within the cap. This situation is called compression. Compression occurs in two stages, with local option levies compressed first and then permanent tax rates. Taxing districts in Eugene are currently experiencing some revenue loss from compression.



- *Public/Government Grant Programs:* Grant programs exist for various capitol and operational related projects, including:
 - *Recreation Trails Program:* This is a grant program funded through the Oregon Parks and Recreation Department. Projects eligible under this program include: 1) maintenance and restoration of existing trails, 2) development and rehabilitation of trailhead facilities, 3) construction of new recreation trails, and 4) acquisition of easements and fee simple title to property. Grants are distributed on an annual basis and require a 20% match.
 - *Oregon State Marine Board Grants:* The Oregon State Marine Board manages Oregon's waterways. The agency also provides construction grants for waterfront improvements, such as boat ramps, restrooms, parking, and other related projects, as well as operations funds for maintenance and patrol. It receives its revenue for grants from the licensing of pleasure boats and a portion of the automobile gas tax.
- *Private Grants and Foundations:* Private grants and foundations provide money for a wide range of projects. They are sometimes difficult to find and equally difficult to secure because of the open competition. They often fund unique projects or projects that demonstrate extreme need. In Eugene, some improvements to Trainsong Park were funded by a Nike Corporation grant.
- *Public/Private Partnerships:* This concept is relatively new to park and recreation agencies. The basic approach is for a public agency to enter into a working agreement with a private business to help fund, build, and/or operate a public facility. Generally, the



three primary incentives that a public agency can offer are free land to place a facility (usually a park or other piece of public land), certain tax advantages, and access to the facility. While the public agency may have to give up certain responsibilities or control, it is one way of obtaining public facilities at a lower cost.

- *Fees and Charges:* User fees and facility charges generate revenue for parks and programs by charging users some or all of the costs of providing services. The City of Eugene has set revenue goals for recreation programs and has developed fees and charges accordingly. The City should continue to refine these goals, while maintaining program affordability and accessibility. Some program areas are more suitable for higher fees and charges. However, youth development is typically not one of these areas. The City could balance its low revenue but highly valued youth development offerings with more program offerings that are revenue generators, such as adult sports programs. Park services revenues can be increased by expanding rental facilities (picnic shelters, meeting rooms, swimming pools, gardens, gazebos, etc.) or by increasing rental fees and other facility-use charges.

Capital Projects

The following funding sources may be used for capital expenses only:

- *System Development Charges:* Since 1991, the City of Eugene has charged new residential development a systems development charge (SDC). SDCs are an important source of funding for the acquisition and development of new parks and open space areas. Since SDCs are paid for by new residential development, the fees are meant to fund capacity enhancement projects that are needed as a result of the development. SDCs cannot be used for the preservation and maintenance of existing parks and facilities. The City has recently reviewed its SDC methodology and increased the SDC rate to \$1,344.65 per housing unit. Prior to October 1, 2003, the SDC rate was \$981.89 per dwelling unit.
- *Donations:* Donations of labor, land, materials, or cash by service agencies, private groups, or individuals is a popular way to raise small amounts of money for specific projects. Service agencies often fund small projects such as picnic shelters or playground improvements, or they may be involved in larger aspects of park development. For example, members of the Rotary Club are soliciting donations to build the two new RiverPlay regional playgrounds in Skinner Butte Park and Alton Baker Park. In the past, donations and volunteer efforts have funded significant improvements at Owen Rose Garden, Hendricks Park, and the Hays Memorial Tree Garden at Alton Baker Park. Donations have also helped to fund open space acquisition.



A Eugene Parks Foundation has been established as a non-profit organization dedicated to improving and enhancing public parks, open spaces and recreational facilities and services for the benefit of Eugene area residents. This organization may play a significant role in the solicitation and acquisition of future donations.

- *Local Improvement District:* Under Oregon law, a city may use a Local Improvement District (LID) to subsidize specific capital improvement projects. Through the formation of a LID, a city may impose special assessments on all properties benefiting from a local improvement project. LIDs are often used to subsidize transportation and infrastructure systems but may also be extended to parks and recreation areas. Because the properties within the district must receive a special benefit from the project, it is most likely to be useful for neighborhood parks and recreation areas.
- *General Obligation Bond:* This voter-approved bond comes with authority to levy an assessment on real and personal property. Funding can be used for capital improvements, but not furnishings, fixtures, equipment, or on-going maintenance. This property tax is levied for up to 20 years under the City's debt policies. As with local option levies, passage requires a double majority, unless during a general election in even-numbered years. This type of property tax does not affect the overall tax rate limitation as described previously in *Local Option Levy*.

In 1998, voters approved a \$25.3 million park and open space bond to fund major park improvements and acquisitions.

- *Public/Government Grant Programs:* Grant programs exist for various capital and operational related projects, including:
 - *Community Development Block Grants (CDBG):* These grants from the Federal Department of Housing and Urban Development are available for a wide variety of projects. CDBG funds have limitations and are generally required to benefit low and moderate income residents. Grants can cover up to 100% of project costs.
 - *Land and Water Conservation Fund:* This is a federal grant program that receives its money from offshore oil leases. The money is distributed through the National Park Service and is administered locally by the Oregon Parks and Recreation Department. In the past, this was one of the major sources of grant money for local agencies. In the 1990s, funding at the federal level was severely cut, but in recent times more money has become available. For the year 2003, the total amount available statewide for local agency projects was \$825,722. The funds can be used for acquisition and development of outdoor facilities and require a 50% match.



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- *Intermodal Surface Transportation Efficiency Act (ISTEA):* Over the years, Oregon has received considerable revenue for trail-related projects from this federal program. Originally called The Intermodal Surface Transportation Efficiency Act (ISTEA), it funded a wide variety of transportation-related projects. In 1998, this program was modified and is now referred to as TEA-21. The legislation came up for reauthorization in 2003, but the process was extended because the U.S. House and Senate could not agree on terms of reauthorization. The extension ends October 1, 2004, and a second extension is anticipated. In 2002, Oregon's apportionment was \$856,248.
- *Local Government Grants:* This Oregon program uses Lottery dollars to fund land acquisition and development and rehabilitation of park areas and facilities. A 50% match is required for larger agencies and a 40% match for small agencies. The Oregon Parks and Recreation Department staff reviews and approves small projects of \$50,000 or less. Large projects exceeding this amount, but less than \$250,000, are reviewed and approved by the Local Government Advisory Committee. The funds for this program are available on a biannual basis. The latest funding round was in early 2003. The total amount of grant money available statewide in the 2003-2004 period was \$5 million.
- *Urban Forestry Grants:* There are several grant programs that provide money for urban forestry projects. While some programs fund public tree planting projects, most federal money must be spent on projects other than planting trees. United States Forest Service grants are small (usually less than \$10,000).
- *Oregon Watershed Enhancement Board:* The Oregon Watershed Enhancement Board (OWEB) is a State agency led by a policy oversight board. Together, they promote and fund voluntary actions that strive to enhance Oregon's watersheds. The Board fosters the collaboration of citizens, agencies, and local interests. OWEB's programs support Oregon's efforts to restore salmon runs, improve water quality, and strengthen ecosystems that are critical to healthy watersheds and sustainable communities. OWEB administers a grant program that awards more than \$20 million annually to support voluntary efforts by Oregonians seeking to create and maintain healthy watersheds.



- *Land Trusts:* Private land trusts such as the Trust for Public Land, the Nature Conservancy, and the McKenzie River Trust employ various methods, including conservation easements, to work with willing owners to conserve important resource land. Land trusts assist public agencies in various ways. For example, land trusts may acquire and hold land for eventual acquisition by the public agency.
- *National Tree Trust:* National Tree Trust provides trees through two programs: America's Treeways and Community Tree Planting. These programs require that trees be planted on public lands by volunteers. In addition, America's Treeways requires that a minimum of 100 seedlings be planted along public highways.
- *Lifetime Estates:* This is an agreement between a landowner and the City that gives the owner the right to live on the site after it is sold to the City.
- *Exchange of Property:* An exchange of property between a private landowner and the City can occur. For example, the City could exchange a less useful site it owns for a potential park site currently under private ownership.



Table 1: Financing Options Evaluation

Source	Advantages & Limitations
CAPITAL PROJECTS AND OPERATIONS	
General Fund	<ul style="list-style-type: none"> ▪ Wide flexibility. ▪ Funds are constrained due to property tax limitations. ▪ All City departments compete for these funds.
Road Fund	<ul style="list-style-type: none"> ▪ Dependent on taxes collected ▪ Limitation on the types of projects that may be funded – principally projects within the road right-of-way ▪ Declining funding
Stormwater/ Wastewater Fees	<ul style="list-style-type: none"> ▪ Projects must meet the goals of the stormwater and wastewater utilities. ▪ A limited range of recreation projects that can qualify for use of these funds. ▪ Cannot be used for general park improvements or operations.
Wetlands Mitigation Bank	<ul style="list-style-type: none"> ▪ Limited to wetlands projects ▪ Dependent on sale of credits to developers
Local Option Levy	<ul style="list-style-type: none"> ▪ Wide flexibility. ▪ Short duration – up to 10 years. ▪ Must receive voter approval. Except during general elections in even-numbered years, a double majority is needed. A majority of voters must turn out, and a majority must vote in favor. Must be frequently re-approved or funding is eliminated. ▪ Subject to the \$10/\$1,000 cap on general government property taxes.
Public/Government Grant Programs	<ul style="list-style-type: none"> ▪ Voter approval is not required. ▪ Wide range of grant programs provides funding for a broad range of projects and activities. ▪ Each source has specific eligibility requirements and approval criteria. Matching projects to appropriate grant sources is not always easy. ▪ Application, project reporting, and grant management requirements can be extensive for some programs. ▪ Usually there are matching requirements.



Table 1: Financing Options Evaluation (continued)

Source	Advantages & Limitations
Private Grants and Foundations	<ul style="list-style-type: none"> ▪ Wide range of foundations provides funding for a broad range of projects and activities. ▪ Requires continued monitoring to keep current with opportunities. ▪ Each source has specific eligibility requirements and approval criteria, and matching projects to appropriate funding sources is not always easy. ▪ Some sources do not provide grants to government agencies. ▪ Highly competitive. ▪ Funds may come with conditions (such as naming a facility).
Public/Private Partnerships	<ul style="list-style-type: none"> ▪ Can be used to build, fund, or operate a facility. ▪ May permit City to obtain a facility that would otherwise not be possible. ▪ City may have to trade off some control of the project or facility.
Program Fees/Facility Charges	<ul style="list-style-type: none"> ▪ Unlimited use, although funds are typically reinvested into the program/facility to cover program costs or facility maintenance. ▪ Some programs or facilities can be designed to recover costs, or even to generate a profit. However, these programs are limited. The market should be considered in setting fees, as well as program affordability and accessibility. ▪ Few programs and fee-based facilities (e.g., aquatic centers) generate significant amounts of revenue, and affordability affects the ability to increase fees.
CAPITAL PROJECTS ONLY	
System Development Charges	<ul style="list-style-type: none"> ▪ Good source of capital improvement funding. ▪ Must be used to fund capacity improvements or new parks, with a nexus to providing service to accommodate new development. ▪ Cannot be used for operations or maintenance funding.
Donations	<ul style="list-style-type: none"> ▪ Wide flexibility. ▪ Usually must be solicited. ▪ May come with strings or requirements.

Table 1: Financing Options Evaluation (continued)

Source	Advantages & Limitations
Local Improvement Districts	<ul style="list-style-type: none"> Flexible in use for capital projects. Can only be used where there are projects that provide a special benefit to surrounding properties. Sometimes difficult to foster public support.
General Obligation Bond	<ul style="list-style-type: none"> Flexible in use for capital projects. Not subject to the \$10/\$1,000 cap on general government property taxes. Voter approval is required, as for local option levies. Longer duration (usually up to 20 years). Cannot be used for furnishings, fixtures, equipment, or ongoing maintenance. Limited capacity under the City's debt policy.
Public/Government Grant Programs	<ul style="list-style-type: none"> Voter approval is not required. Wide range of grant programs provides funding for a broad range of projects and activities. Each source has specific eligibility requirements and approval criteria. Matching projects to appropriate grant sources is not always easy. Application, project reporting, and grant management requirements can be extensive for some programs. Usually there are matching requirements.
Land Trusts	<ul style="list-style-type: none"> Limited to property protection or acquisition in specific circumstances, usually for environmental reasons. Some trusts own property, others only hold it short-term. The City may have to eventually purchase the property from the trust.
National Tree Trust	<ul style="list-style-type: none"> Only funds tree planting.
Lifetime Estates	<ul style="list-style-type: none"> Can make sales agreement more attractive to the property owner. Limited application. May come with strings or requirements.
Exchange of Property	<ul style="list-style-type: none"> Limited application, since City must have property to exchange. Only for property acquisition.



Innovative Funding Measures

Due to the increasing limitations on property taxes, some public agencies are looking toward alternative methods of funding the park and open space systems that citizens find essential to quality of life. These alternative mechanisms are generally taxes, and some are more viable than others as funding sources. Eugene should also explore the potential of other alternative mechanisms as part of the City's overall revenue strategy. The City should investigate the use of the following taxes to fund park and recreation development:

- Entertainment taxes
- Utility taxes
- Corporate Income Tax
- Income Tax Surcharge
- Personal Income Tax
- Gross Receipts Tax
- Payroll Tax
- General Sales Tax
- Restaurant Tax
- Business License Tax
- New Construction Fees

B. Special District Formation

Another funding strategy that the City may consider is the development of a special district for parks and recreation. The advantage of a special district is that it has its own dedicated tax base to fund projects. There are two types of Special Districts that may provide park and recreation services: independent districts and county service districts. Both types of districts have taxing authority, and their tax rates are subject to the 10/\$1,000 general government property tax limitations.

A county service district, formed under Oregon Revised Statutes (ORS) 451, is governed by the County Board. This type of special district is not recommended because the directors are not independently elected. The only special district in Oregon formed under ORS 451 is the North Clackamas Park & Recreation District.

The other type of district, a special parks district formed under ORS 266, is governed by an independently elected Board of Directors. Examples of this type of district include Tualatin Hills Park & Recreation



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District, Willamalane Park & Recreation District, and Bend Metro Park & Recreation District.

The advantage of a special district is that it has its own tax rate and revenue stream, whereas City park and recreation services must now share the jurisdiction's general property tax revenues.

However, there are a number of drawbacks to forming a special district in Eugene. Specific procedural steps for the formation of a special district—including a petition process, County involvement, and a public vote—could be difficult to achieve. These steps also require citizen support to occur. In addition, the formation of a special district would require an amendment to the Metro Plan. Finally, additional property tax levies by a special district will result in increased tax revenue compression affecting all general government taxing districts.

